



Highlights of [GAO-03-230](#), a report to the Chairman and Ranking Member, Committee on Small Business, House of Representatives

CONTRACT MANAGEMENT

Postal Service's National Office Supply Contract Has Not Been Effectively Implemented

Why GAO Did This Study

Over the past 2 years, the Postal Service has experienced growing financial difficulties. In an effort to transform the organization to reduce costs and increase productivity, the Postal Service awarded a national-level office supply contract to Boise Corporation. In addition, the Postal Service required Boise to submit a subcontracting plan, which outlines how small, minority-, and woman-owned businesses will be reached through the contract. GAO was asked to assess the status of the Postal Service's implementation of the Boise contract and Boise's achievement of its subcontracting plan. GAO also reviewed the extent to which the Postal Service is buying office supplies directly from small, minority-, and woman-owned businesses.

What GAO Recommends

GAO is recommending that the Postal Service reexamine the national office supply contract to determine why it is not being used and whether it is an effective tool to achieve savings. If the contract is found to be beneficial, the Postal Service should track its employees' use of the contract. GAO also recommends the Postal Service revise its national contract to reflect realistic goals for small, minority-, and woman-owned businesses. The Postal Service agreed with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-230.

To view the full report, including the scope and methodology, click on the link above. For more information, contact David Cooper at (202) 512-4841 or cooperd@gao.gov.

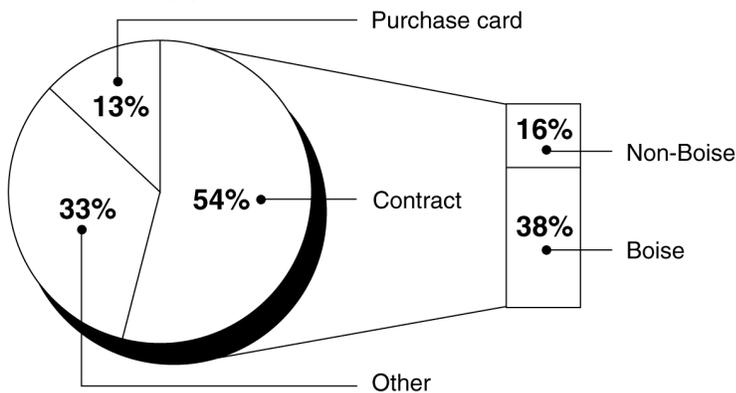
What GAO Found

The Postal Service has not been successful in implementing its national-level contract to purchase most office supplies from Boise. Although the national contract was intended to be a mandatory source of office supplies, the Postal Service purchased less than 40 percent of its office supplies from Boise in 2001. GAO found that the Postal Service did not perform as planned under the contract because it did not take sufficient actions to ensure that the contract would be used. As a result, the Postal Service has not been able to realize its estimated annual savings of \$28 million. In fact, it was only able to provide documentation for \$1 million in savings for 2001.

Boise and the Postal Service have not paid sufficient attention to the subcontracting plan. The plan contains obvious ambiguities, and, in fact, Postal Service and Boise officials disagree on its goals. The Postal Service maintains that the goal is 30 percent of Boise's annual revenue from the contract. Boise has fallen far short of this goal, reporting that only 2.6 percent of subcontracting dollars were awarded to small, minority-, and woman-owned businesses in fiscal year 2001. Postal Service and Boise officials recognize that the performance on the subcontracting plan is not satisfactory and are taking a number of steps to achieve the plan's goals. Nevertheless, it is highly unlikely that the current subcontracting goals will be met.

The Postal Service reported that its small, minority-, and woman-owned business achievements have declined from fiscal years 1999 to 2001. Despite the Postal Service's reported statistics, we could not determine the extent to which it is buying directly from these businesses because the data are unreliable.

Total Office Supply Purchases for Fiscal Year 2001



Source: GAO analysis of U.S. Postal Service data.

Note: "Other" is local buys paid by cash, money orders and district invoices.